



What Has Changed Since the Lambert Review?

A note from

The Council for Industry and Higher Education (CIHE)

November 2006

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The Lambert Review should be placed in the context of an increasing emphasis on encouraging closer business/higher education relations. Since 2003 this agenda has become even more important with the growing articulation by the Government, businesses and higher education of the global challenges facing the UK. A rising awareness of the competitive threat from Asia has reinforced a realisation that our future international competitiveness rests more than ever on the development, dissemination and application of knowledge and ideas. There is an increasing consensus that continuous innovation is vital and that higher education and higher levels of learning, management and knowledge exchange underpin our future. The CIHE report ***International Competitiveness: Businesses working with UK Universities***¹ has stressed that while we live in an increasingly networked flatter world, there are spikes and clusters of excellence with universities at their core that attract brainpower, that push out the frontiers of knowledge, attract investment and create wealth. It is to these centres of excellence that multinational businesses go to recruit so many of their graduates and post-graduates, to invest in the fundamental research that they do not undertake themselves and to seek solutions to the business product, process and management issues they face.

Our report took forward the Lambert agenda by offering a unique demand side perspective from a range of multinational businesses. It provided clear evidence that it is the excellence of the research base and the ability of university researchers to undertake world-class fundamental research pushing out the frontiers of knowledge that multinational businesses value and that underpins their investments in the UK. Equally they look to universities to help them solve problems, to work with them on near market research and to engage in multidisciplinary research - as it is at the boundaries of knowledge disciplines that breakthroughs and new insights will increasingly occur. So they want to see all forms of research valued in research assessment and funding exercises. They welcome the role of the business led Technology Strategy Board in focussing Government funding for strategically important research. They also welcome the increased emphasis given by the Research Councils to driving up the economic impact of the research they fund.

Lambert focused on the formal processes of knowledge “transfer” (*sic*). Since then there has been a growing consensus that most knowledge is transferred through the movement of people and also that knowledge “exchange” (*sic*) is an iterative process. There is a greater consensus that the evolution of knowledge is not linear; that there are various modes by which ideas are translated into innovation and that there are a wide range of interactions (including through virtual international networks) between universities, businesses and other organisations (such as NGOs). We need to understand more about this value chain and both how and where value is added depending on the different forms of relationships and sectors involved. The Government, businesses and higher education all appreciate that funding for example through HEIF and Knowledge Transfer Partnerships can stimulate these processes of interaction and that co-funding between research councils and businesses brings benefits to a wide range of players. There has been an increasing recognition of the importance of knowledge exchange; the formulaic nature of HEIF with the greater security that this stream of funding offers HEIs has helped to raise the status of this activity.

Since Lambert there is also a better appreciation of the role that public procurement can play in stimulating innovation and the involvement of small companies in the innovative process. Further work is needed to develop US-style procurement practices.

Realising the importance of the movement of people in raising our innovative potential, all parties increasingly appreciate the significance of sustaining and raising still further the quality and employability of *all* graduates and post-graduates. It is graduates who are the key output of higher education institutions and who power wealth creation across the economy – and in particular in the most dynamic sectors. Our financial and business services sectors, for example, have achieved their international pre-eminence through the brainpower they attract from our increasingly internationally oriented universities. The same is

¹ CIHE May 2006

true of our successful creative industries. Graduates account for 43% of the creative industries labour force². Within this, 66% of the staff in the audio visual industries are graduates and 24% are post-graduates³. No wonder that the creative industries grew at around twice the rate of the rest of the economy between 1997 and 2002 and accounted for around 8% of GDP in 2003 – a higher proportion than in any other country. Graduates from creative arts, design and media courses are entrepreneurial and around one third of all self-employed first degree graduates come from these disciplines⁴ Graduates also underpin the performance of other successful high value sectors such as pharmaceuticals, defence and aerospace and those manufacturing businesses that also have to be high value-adding to compete internationally.

The appreciation of the importance of quality graduates and of maintaining the underpinning quality of teaching – the core function of higher education institutions – has been recognised by the Chancellor's commitment to maintain the unit of teaching resource. But honouring that commitment is not sufficient. Teaching is underfunded and particularly the teaching of certain key STEM subjects. The CIHE looks to the funding councils to better relate the prices they pay to the costs of teaching. We also consider that higher education institutions must in the future be allowed to charge more flexible fees or that the unit of teaching resource must be raised by switching funds from the current regressive and high cost subsidy on all student loans - or a combination of both policies.

The Lambert report had little to say on skills and lifelong learning. But upgrading and upskilling the capabilities of those in work is increasingly being recognised as a high priority. The Council's discussions with Lord Leitch confirm us in this view. Higher education institutions have an important role to play in raising levels of learning across all regions and sectors. Working together with supply chains, business intermediaries and networks of small businesses they and their Business Schools can help all organisations raise the quality of their management – long recognised as a brake on economic performance – as well as the skills of all their staff. Higher education currently has a low share of this market and we need more examples of what works and why and of success stories that can help persuade more small companies of the bottom-line benefits of investing in learning. The CIHE is working with the DfES and HEFCE to provide more evidence on these issues. We also need more pilots to confirm possible co-funding models – including funding by credits the small chunks of learning that small businesses want.

Finally we have to continue to raise the quality and aspirations of school children. Our current participation rates fall short of what many of our competitors achieve or aim to achieve over the coming years. The Government's ambitions to move towards a 50% higher education participation rate for younger people is, as Lord Leitch has said, insufficient. The CIHE suggests that this target needs to be subsumed into a wider lifelong learning target. Businesses can play their role including by working with the Government to emphasise that the more you learn, the more you earn and that those who have studied STEM subjects on average earn more than those who have not. Many higher education and further education institutions are excellent at reaching into their communities and supporting learners from disadvantaged backgrounds to progress to high levels of learning. A more coherent and integrated framework of qualifications that embrace vocational awards and offer credit based steps along the learning road would help more learners engage in lifelong learning. Higher education institutions can respond flexibly by offering the more bite-sized learning that small businesses and lifelong learners need. A supportive qualification, credit and funding by credit framework would help them. Excellence in widening participation and in developing those in the work force who have missed out on higher education must continue to be recognised and rewarded if the UK is to upgrade the capabilities of the workforce and develop a more inclusive society.

Sustaining excellence in all its various forms across our diverse system of higher education has to be central to the Government's vision for the future of the UK.

CIHE November 2006

² Developing Entrepreneurship for the Creative Industries, DCMS May 2006

³ Skill Set (Sector Skills Council for the Audio Visual Industry) Workforce Survey 2003

⁴ Developing Entrepreneurship for the Creative Industries: the role of higher and further education, DCMS May 2006